



FEBRUARY 2011

UNITED STATES DEPARTMENT OF DEFENSE



# FISCAL YEAR 2012 BUDGET REQUEST

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CFO

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# Agenda

- Challenges
- FY 2012 Budget trends
- Key themes and priorities
- FY 2011 Continuing Resolution crisis
  - “The crisis at our doorstep”

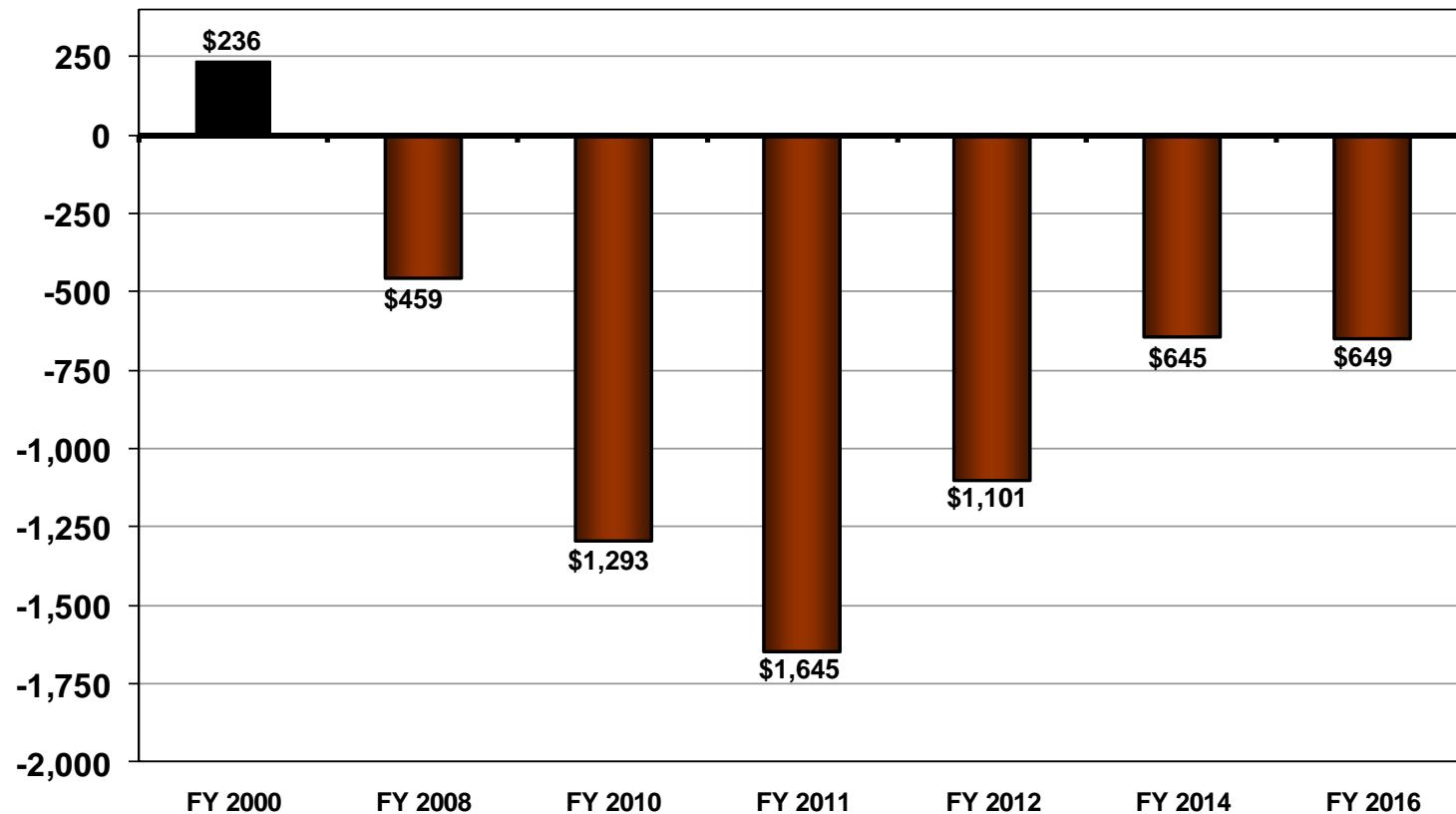
# Strategic Challenges

- U.S. Troops Remain Deployed
- WMD Proliferation
- Violent Extremists ↔ Non-State Actors
- Rising Peer Competitors
- Security of Global Commons (Piracy / Cyber)
- World-Wide Natural Disasters

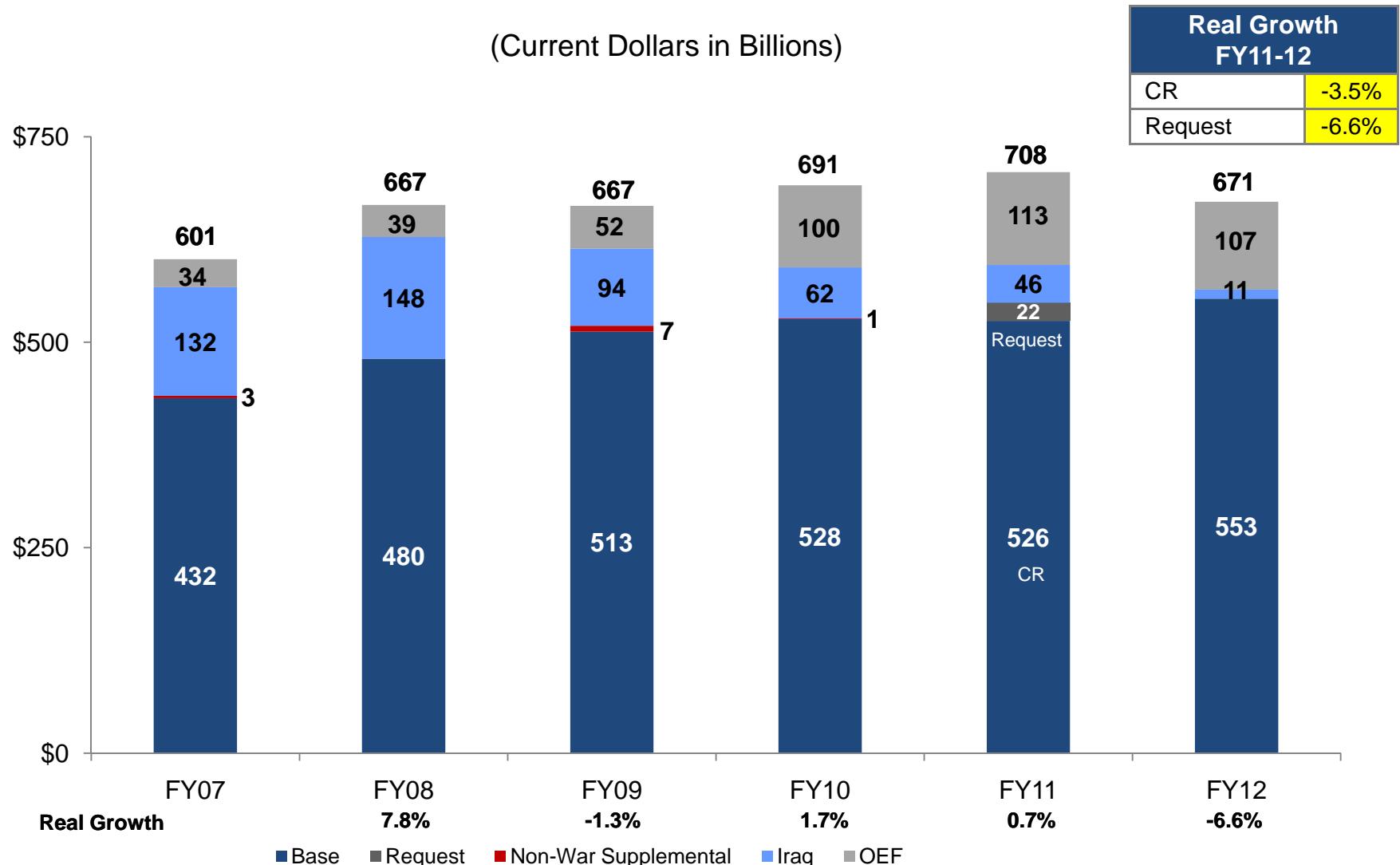
*An uncertain and dynamic environment that spans the Range of Military Operations*

# Economic Challenges

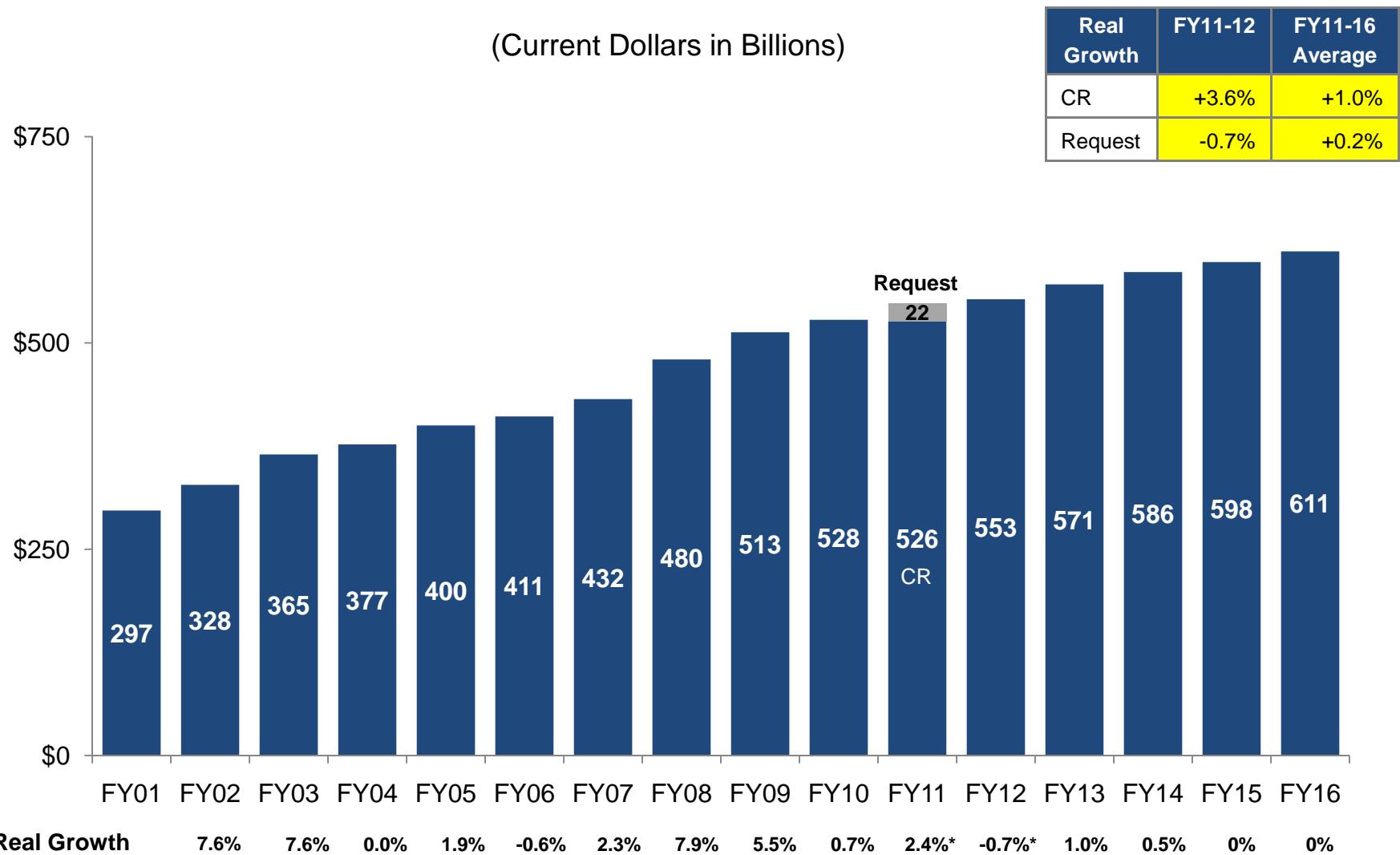
(Federal Deficit in Billions of Dollars)



# Total Defense Spending Declines from FY 2011 to FY 2012



# Base Budget Grows Modestly FY 2011 – FY 2016



\* Real Growth based on the Request Amount.

# FY 2012 Budget Themes

## Themes

- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops

## Reform Agenda

- Save \$178 billion in FY 2012 – FY 2016
  - Reinvest \$100 billion
  - \$78 billion for topline reductions

***“Budget represents a reasonable, responsible and sustainable level of funding” - Secretary Gates (1/6/2011)***

# Take Care of People

- Military pay raise of 1.6%
  - Matches the Employment Cost Index (ECI)
  - Civilians under a pay freeze
- Family Support Initiatives (\$8.3 billion)
  - Child care and youth programs
    - Provides over 200,000 school-age children with child care
  - MyCAA and military spouse intern program
  - DoDEA Schools
    - Supporting over 100,000 students in 194 schools
    - 15 new/modernized school projects
  - Morale, welfare, and recreation
    - i.e., Provide mobile internet technology to deployed troops
  - Commissary operations
    - Over 90 million customer transactions per year
  - Warfighter services
    - Includes Yellow Ribbon Reintegration Program



# Take Care of People

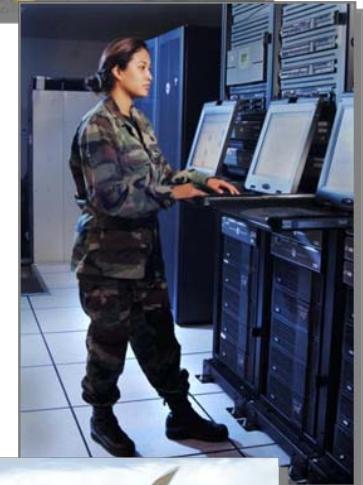
## (Continued)

- Medical Care (\$52.5 billion)
  - Defense Health Program
  - Traumatic Brain Injury & Psychological Health Care
  - Wounded, Ill and Injured Medical research
  - New hospital at Ft. Bliss
- New quality of life-related construction (\$1.9 billion)
  - 41 new barracks
  - 6 new physical fitness centers
  - 4 new child development centers
  - 4 chapels



# Focus on Current Wars

- Maintain combat readiness and training (\$84.4 billion)
  - Shift additional funding from OCO budget to base budget
- Invest in increased intelligence, surveillance and reconnaissance capabilities (ISR) capabilities (\$4.8 billion)
  - Procure additional Global Hawks (RQ-4)  
3 aircraft/\$1.7 billion
  - Maximum Reaper (MQ-9) production  
48 aircraft/\$1.4 billion
  - Maximum Gray Eagle (MQ-1) production  
36 aircraft/\$1.0 billion
  - Accelerate unmanned maritime UAV (MQ-8)  
12 aircraft/\$0.3 billion
  - Other UAVs: Shadow, Raven, STUAS  
\$0.3 billion
  - Procure/sustain MC-12 aircraft  
12 aircraft/\$0.3 billion
- Improved cyber capabilities (\$2.3 billion)



# Focus on Current Wars

## (Continued)

- Chemical Biological Defense Program (\$1.5 billion)
  - New vaccines/antibiotics
  - Medical counter measure initiative
  - Non-traditional agents
- Rotary aircraft recapitalization (\$10.6 billion)
- Global Train and Equip funding (section 1206) (\$0.5 billion)
  - Emphasis on Yemen
- Counterdrug activities (\$1.2 billion)
  - Increased support for activities in Mexico



***Focus on Current War Needs***

# Modernize for Future Conflicts

- Restructured the Joint Strike Fighter Program (\$9.4 billion)
  - Increase research and development funding
  - Deferred procurement (FY 2012 quantity: 32 aircraft)
  - STOVL on 2-year probation
- Extended F/A-18 procurement through FY 2014
  - FY 2012 F/A-18E/F (28 aircraft/\$2.4 billion)
  - FY 2012 EA-18G (12 aircraft/\$1.1 billion)
- Stabilized shipbuilding with a 11-ship program
  - Virginia Class submarine 2
  - DDG-51 destroyer 1
  - Littoral Combat Ship (LCS) 4
  - LPD-17 amphibious ship 1
  - Joint High Speed Vessel 2
  - MLP 1



# Modernize for Future Conflicts

## (Continued)

- Long Range Strike (\$2.0 billion)
  - New Bomber
  - Minuteman III missile sustainment
  - Trident II Life Extension Program
- KC-X Tanker (\$0.9 billion)
- Additional F-15 radar improvements (\$0.2 billion)
- A new family of armored vehicles (\$0.8 billion)
- Joint Light Tactical Vehicle (\$0.2 billion)
- Continued development of SSBN(X) (\$1.0 billion)
- Ballistic Missile Defense (\$10.7 billion)
  - Phased Adaptive approach
- Defense Weather Satellite Systems (DWSS) (\$0.5 billion)
- Funded 2% real growth in basic research and maintained stable funding in remainder of science and technology (\$12.2 billion)



***Substantial Investment in Current/Future Conflicts***

# Support Our Deployed Troops

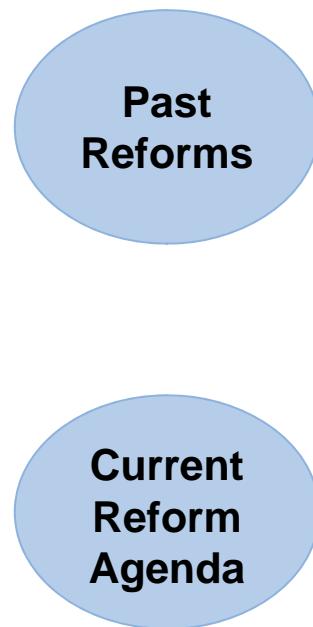
- Total FY 2012 OCO budget request \$117.8 billion
- Troop assumptions:
  - Iraq: transition from military to civilian mission; no troops after Dec 2011
  - Afghanistan: 98,250 troops on average
- Cost of operations \$79.8 billion
- Reset of damaged and destroyed equipment \$11.9 billion
- Counter IED/force protection needs \$10.1 billion
- Continue to train and equip Afghan Security Forces \$12.8 billion
- Temporary Army end strength \$1.9 billion
- Commanders Emergency Response Fund (CERP) \$425 million
- Afghan Infrastructure Fund \$475 million
- Assist in Iraq transition \$524 million

Overseas Contingency Operations Fully Funded

# FY 2012 Budget Themes

## Themes

- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops



## Reform Agenda

- FY 2010: Focus on weapons
- FY 2011: Focus on weapons
- FY 2012 – FY 2016: Focus on business operations
- Save \$178 billion
  - Reinvest \$100 billion
  - \$78 billion for topline reductions

# Save and Reinvest \$100 Billion

(\$ Billions)

## By Military Department

	FY 2012	FY 2012 - FY 2016
Army	-2.7	-29.5
Navy	-4.3	-35.1
Air Force	-3.4	-33.3
SOCOM	-0.4	-2.3
<b>Total</b>	<b>-10.7</b>	<b>-100.2</b>

(\$ Billions)

## By Category

	FY 2012	FY 2012 - FY 2016
Better Business Practices	-3.9	-45.5
Reorganizations	-3.5	-25.0
Program Reductions/Terminations	-2.6	-21.5
Streamline Lower Priority Programs	-0.7	-8.2
<b>Total</b>	<b>-10.7</b>	<b>-100.2</b>

# Examples of Efficiency Savings

## Army Savings (\$29.5 billion)

- Reduce infrastructure civilian and military manning and reduce support processes (\$3.7 billion)
- Save on military construction costs by sustaining existing facilities (\$1.5 billion)
- Cancel procurement of SLAMRAAM surface to air missile (\$1.1 billion)
- Terminate Non-line of Sight Launch System (\$3.2 billion)
- Reduce recruiting and retention incentives (\$5.3 billion)

## Air Force Savings (\$33.3 billion)

- Reorganizations (\$4.2 billion), e.g., consolidate four operations and three numbered Air Force staffs, and streamline installation support
- Improve depot and supply chain business processes (\$3.0 billion)
- Reduce/terminate programs (\$3.7 billion), e.g., terminate Infrared Search and Track Program
- Reduce facility sustainment (\$1.6 billion)
- Reduce cost of information technology (\$1.3 billion)

## Navy Savings (\$35.1 billion)

- Reduce ashore manpower, reassign personnel to operational ships and air units (\$4.7 billion)
- Increase use of multiyear procurement contracts for ships and aircraft (\$5.3 billion)
- Disestablish Second Fleet headquarters; staffs for submarine, patrol aircraft and destroyer squadron staffs (\$1.2 billion)
- Terminate Expeditionary Fighting Vehicle (\$2.8 billion)
- Reduce energy consumption (\$2.3 billion)

## SOCOM (\$2.3 billion)

- Terminate the Joint Multi-Mission Submersible program (\$0.8 billion)
- Consolidate into single Special Operations Forces Info Technology Contract (\$0.4 billion)
- Reduce programs where Service-common equipment meets requirements (\$0.2 billion)

# Achieving \$78 Billion for Topline Reductions in FY 2012 – FY 2016

- Freeze civilian billets (limited exceptions) \$13 billion
- Two-year federal civilian pay freeze \$12 billion
- Healthcare reform \$8 billion
- Defense Agency/OSD Staff Baseline Review \$11 billion
- Disestablished Joint Forces Command/BTA \$2.3 billion
- Reduce staff augmentee contracts \$6 billion
- Restructure the Joint Strike Fighter program \$4 billion
- Reduce the size of ground forces in FY 2015/FY 2016 \$6 billion
- Decrease reports, studies, boards and commissions \$1 billion
- Reduce senior leadership positions \$.1 billion
- Lower economic assumptions \$4 billion
- Many smaller efforts across the enterprise \$11 billion

# Key Take Aways

**Total defense spending decreases**

**Base budget increases modestly**

## Priorities

- Take care of people
- Focus on current war
- Modernize for possible future conflicts
- Support deployed troops

**Reform seeks to stretch defense dollars**

- Save \$100 billion and reinvest
- Save \$78 billion and reduce topline

***Reasonable, Responsible, Sustainable***

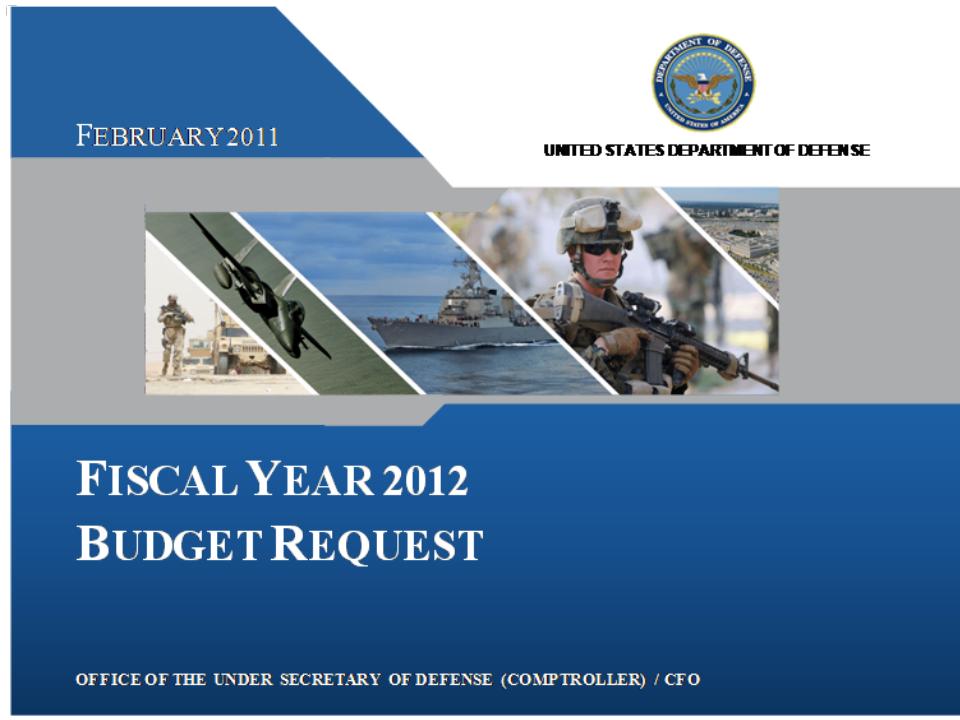
# FY 2011 Budget Crisis

- Operating under Continuing Resolution (CR) at least through March 4<sup>th</sup>
- CR does not provide enough funds
  - Cut exercises, maintenance, people support
- CR does not provide enough flexibility
  - No new starts, no procurement rate increases
- CR results in inefficient management
  - Reopening contracts, delays, work arounds

“I want them [Congress] to deal with the crisis on my doorstep before we start arguing about the levels in FY 12” – Secretary Gates

# For More Information

- For more information, visit the website for the Office of the Under Secretary of Defense (Comptroller) at
  - [www.budget.mil](http://www.budget.mil)
  - Download the Department's *FY 2012 Budget Request*



# Backup Slides

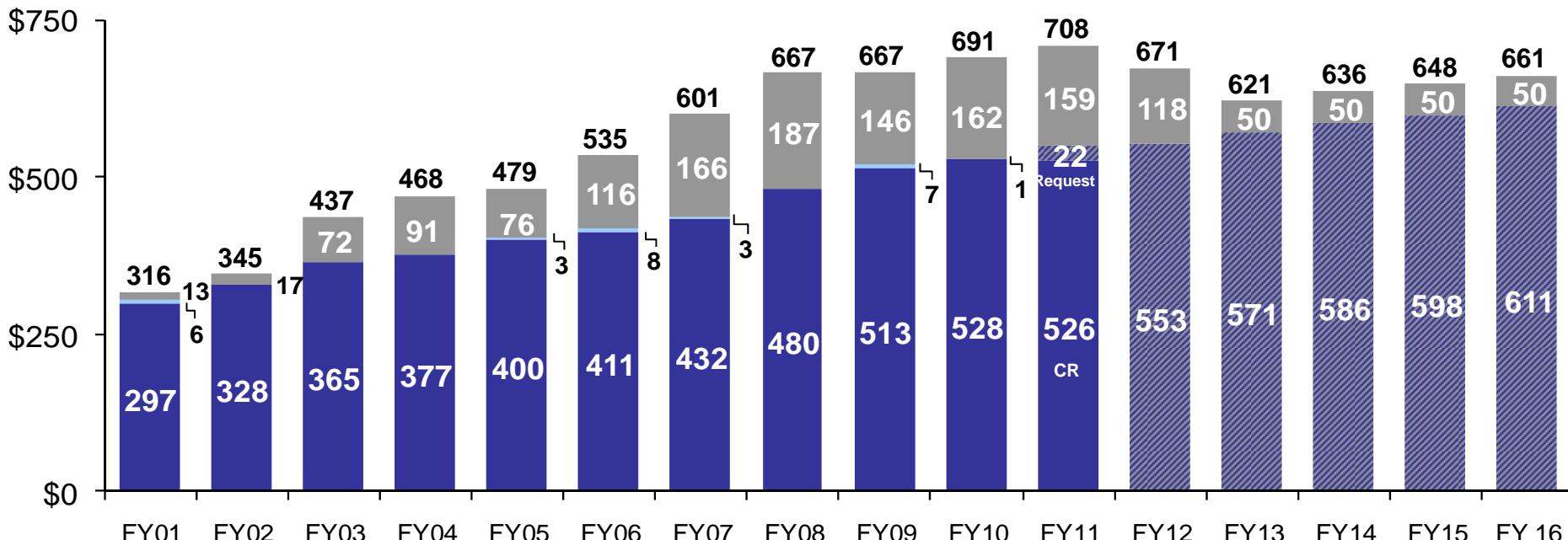


# Department of Defense Topline

FY 2001 – FY 2016

(Current Dollars in Billions)

FY 2010 – FY 2016 Base Growth	
Nominal Growth	2.5%
Real Growth	0.5%



Numbers may not add due to rounding

■ Base Budget ■ OCO Funding ■ Non-War Supplemental ■ Base Budget Position

Notes:

- FY 2012 – FY 2016 reflects levels included in the President's FY 2012 Budget Request; FY 2009 Non-War Supplemental was appropriated through the American Recovery and Reinvestment Act of 2009

- FY 2011 reflects the addition of the annualized 2011 Continuing Resolution and an adjustment to the Presidents FY2012 Budget Request

Source: Department of Defense Appropriation Acts FY 2001 – FY 2010, FY2011 Continuing Resolution, FY 2011-FY2012 President's Budget documents

# Summary By Component

(\$ in Billions)

Component	FY 2010	FY 2011 CR	FY 2012
Army	138.8	136.8	144.9
Navy	155.3	155.6	161.4
Air Force	142.4	143.2	150.0
Defense-wide	91.5	90.5	96.8
<b>Total</b>	<b>527.9</b>	<b>526.1</b>	<b>553.1</b>

*Numbers may not add due to rounding*

# Summary By Appropriation Title

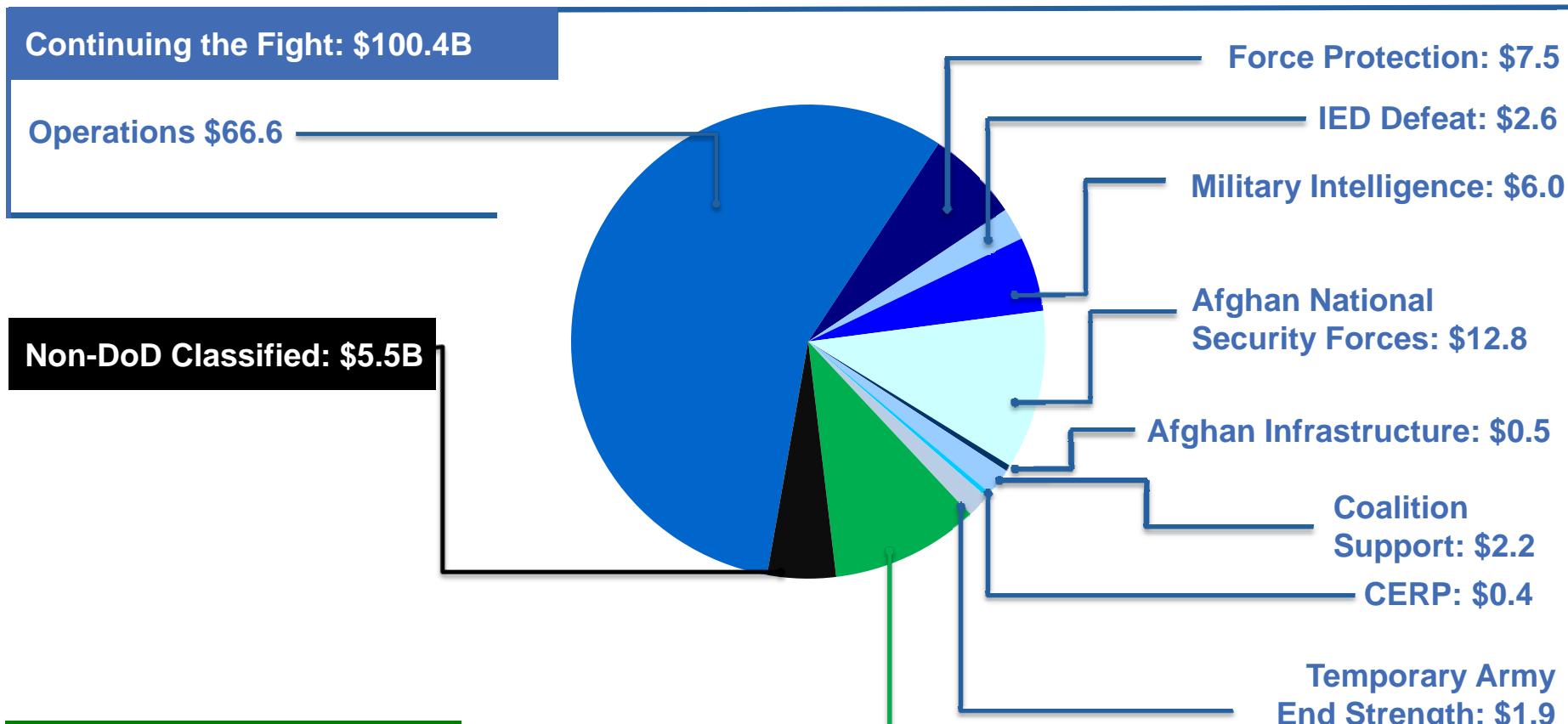
(Dollars in Billions)

Appropriation Title	FY 2010	FY 2011 CR	FY 2012
<b>Military Personnel</b>	\$135.7	\$135.2	142.8
<b>Operation and Maintenance</b>	183.9	184.5	204.4
<b>Procurement</b>	103.2	104.8	113.0
<b>RDT&amp;E</b>	79.3	80.4	75.3
<b>Military Construction</b>	20.5	15.9	13.1
<b>Family Housing</b>	2.3	2.3	1.7
<b>Revolving and Management Funds</b>	3.1	3.1	2.7
<b>Total</b>	<b>527.9</b>	<b>526.1</b>	<b>553.1</b>

*Numbers may not add due to rounding*

# FY 2012 Overseas Contingency Operations Budget Request

(Dollars in Billions)



*Numbers may not add due to rounding*

**\$117.8B**

# OCO Trends

(\$ in Billions)

	FY 2009	FY 2010	FY 2011	FY 2012
OEF	52	100	113	107
OIF	94	62	46	11
Total	146	162	159	118

*Numbers may not add due to rounding*

OIF funding reflects withdrawal in first quarter FY 2012  
OEF funding continues support of ongoing operations

# Savings Achieved by Military Departments

(\$ in Billions)

Component	FY 2012	FY 2012 – FY 2016
Army	-2.7	-29.5
Navy	-4.3	-35.1
Air Force	-3.4	-33.3
SOCOM	-0.4	-2.3
<b>Total</b>	<b>-10.7</b>	<b>-100.2</b>

*Numbers may not add due to rounding*

# Army Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
<b>Better Business Practices</b>	-0.2	-10.3
<b>Reorganizations</b>	-0.8	-5.4
<b>Program reduction/terminations</b>	-1.3	-11.0
<b>Reduced lower priority programs</b>	-0.4	-2.8
<b>Army Total</b>	<b>-2.7</b>	<b>-29.5</b>

*Numbers may not add due to rounding*

# Navy Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
<b>Better Business Practices</b>	-1.5	-14.1
<b>Reorganizations</b>	-2.2	-15.4
<b>Program reduction/terminations</b>	-0.6	-5.5
<b>Reduced lower priority programs</b>	--	--
<b>Navy Total</b>	<b>-4.3</b>	<b>-35.1</b>

*Numbers may not add due to rounding*

# Air Force Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
<b>Better Business Practices</b>	-2.2	-20.6
<b>Reorganizations</b>	-0.5	-4.2
<b>Program reduction/terminations</b>	-0.6	-3.7
<b>Reduced lower priority programs</b>	-0.1	-4.8
<b>Air Force Total</b>	<b>-3.4</b>	<b>-33.3</b>

*Numbers may not add due to rounding*

# SOCOM Efficiencies

(\$ in Billions)

	FY 2012	FY 2012 – FY 2016
<b>Better Business Practices</b>	-0.1	-0.4
<b>Reorganizations</b>	--	--
<b>Program reduction/terminations</b>	-0.2	-1.3
<b>Reduced lower priority programs</b>	-0.1	-0.6
<b>SOCOM Total</b>	<b>-0.4</b>	<b>-2.3</b>

*Numbers may not add due to rounding*

# Military Healthcare Proposals

- Efficiencies
  - Patient Centered Medical Home staffing efficiencies
  - Consolidation of initial outfitting and transition responsibilities
  - Centralize procurement of medical equipment and devices
  - Service support contractor reductions and streamlined headquarters operations
  - Expanded use of urgent care and nurse advice line
- Tricare Prime Enrollment Fees
  - Modest increase in fees (\$5 mo./family & \$2.50 mo./individual)
  - Indexing to Medicare starting in FY 2013
- Pharmacy co-pays
  - Provide incentives to use generic and mail order prescriptions
- U.S. Family Health Plan
  - Phase out enrollment of Medicare-eligible retirees to avoid unique payments
- Sole Community Hospitals
  - Comply with law mandating Medicare rates

**Total savings: \$340 million in FY 2012; \$7.9 billion in FY 2012 – FY 2016**



## UNITED STATES DEPARTMENT OF DEFENSE

